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SUBJECT: GAP IN POLLS CLOSING BETWEEN TWO GNP HEAVYWEIGHTS

¶1. (SBU) SUMMARY: The gap in polls between the frontrunner Lee Myung-bak and his rival Park Geun-hye from the conservative Grand National Party (GNP) started to drop off significantly in recent weeks. The shrinking gap comes from Lee's falling popularity amid revelations by Park's camp and the ruling Uri Party about his alleged involvement in investment fraud and shady real estate dealings. An "official" report casting doubt on his canal project has also impacted Lee's poll numbers. Public polls for Lee and Park are crucial as their result counts for 20 per cent of the candidates' scores in the GNP primary. Pundits posit that Lee's decrease in polls could accelerate if more scandals emerge. END SUMMARY.

LEE MYUNG-BAK'S SHAKY LEAD IN POLLS

¶2. (U) The latest polls show that presidential frontrunner Lee Myung-bak of the Grand National Party maintains a 6.5 percent to 15 percent lead over his rival Park Geun-hye. In polls conducted on June 30, the difference between the two was 6.5 per cent (Herald Media), 11.8 per cent (Chosun Ilbo), 12.8 per cent (SBS), 13.9 per cent (Donga Ilbo) and 15.4 per cent (MBC). Lee scored 34.9 - 39.8 per cent while Park garnered 24.9 - 27.6 per cent of the public support. (Note: the polls surveyed 1,000 - 1005 adults nationwide. End Note.)

¶3. (U) Although Lee has maintained his lead over Park, the gap between the two candidates has significantly decreased, compared to polls earlier this year. According to a poll conducted by Herald Media and KM Research Co. on December 26-27, 2006, Lee boasted sweeping popularity by garnering 42.6 percent of support, well ahead of Park Geun-hye's 23.9 percent. (Note: the poll surveyed 1,000 adults nationwide. End Note.) In February 2007 polls, Lee Myung-bak scored 43.9 percent and 47 per cent in two polls, while Park scored 17.9 per cent and 19.4 per cent. (Note: The first poll was done by Korea Research Center and Donga Ilbo; the second poll by Hankyoreh and Research Plus.) Therefore, Lee's lead had declined from 20-25 to around 10 per cent in about a month or so.

BBK DEAL: LEE'S ALLEGED INVOLVEMENT IN INVESTMENT FRAUD

14. (U) June was a brutal month for Lee as he was shrouded in scandals. Since early June, Lee has been continuously attacked by the Park camp and Uri Party as they accused Lee of being involved in stock manipulation and real estate speculation. On June 11, Representative Park Young-sun from the Uri Party argued during a plenary National Assembly that Lee previously had an illicit business relationship with a now-bankrupt investment firm, BBK. According to press reports, Lee invested in the firm, established in February 2000 by a Korean-American businessman, Kim Gyeong-jun. In 2001, Kim allegedly spread false information to manipulate BBK's stock price and embezzled KW 38 billion (USD 41 million) of the firm's money. Kim then was arrested by U.S. federal authorities in 2004 and is awaiting extradition to Korea. Joining the Uri Party's attack on Lee, Park's camp also argued that Lee was the firm's actual owner, not just an investor. Lee's camp refuted the claim, saying that "Lee has no relationship with BBK, and BBK is solely operated by Kim Gyeong-jun," and made public the document issued by the Seoul prosecutors in April 2002 that cleared Lee.

CANAL PROJECT: GOVERNMENT CONSPIRACY VS. ILLEGAL RESEARCH

15. (U) However, the so-called BBK scandal was only the beginning of several trials. One of Lee's main campaign pledges is the "Pan-Korea Waterway Project," which aims to connect the country by canals. The canal project's economic and environmental feasibility has been at the center of political debates. On June 4, the Korean publication Economist, an economic news weekly, reported on a 37-page report by South Korean government agencies, which claimed that the canal project was not feasible neither financially nor environmentally. (Note: Korean Economist is different from the U.K.-based magazine, Economist. End Note.) When questioned by the National Assembly, Construction Minister Lee Yong-seop said the 37-page report was not a government document, but admitted that the ministry had submitted a different, 9-page report on the project to the Blue House. The ministry then submitted the 9-page original report to the National Assembly, which proved virtually identical in substance to the leaked 37-page report.

16. (U) Although the leakage of the report helped to bolster Lee's argument that liberals are conspiring to destroy him and the Blue House is the "big power" behind the alleged conspiracy, the canal project saga continued to work against him. On June 22, Seoul Metropolitan Police raided the city-affiliated Seoul Development Institute, Seoul Economic Research Center and offices of three Sejong University professors to further investigate the matter. They were investigating whether a report prepared by the Institute and the Center when Lee was a mayor of the capital was conducted for the purpose of working out his eventual campaign pledge, hence violating an election law.

SUSPICION OF REAL ESTATE SPECULATION

17. (U) On June 12, an Uri Party lawmaker and presidential hopeful, Rep. Kim Hyuk-gyu, raised the suspicion of false resident registration by Lee Myung-bak's wife. At a press conference in the National Assembly, Kim argued that Lee's wife changed her address fifteen times from 1978 to 1998, mostly in Kangnam, possibly for investment in the area's real estate, but failed to produce evidence to support his claim. Pointing out that two Prime Ministers from Kim Dae-jung administration failed to be confirmed by the National Assembly because of similar accusations of real estate speculation, Kim called for Lee's clarification. Lee later admitted the fact and apologized, saying that the false resident registration allowed his children to attend good schools in the affluent Kangnam area and for him to run for office in a different district from which he lived.

¶8. (U) On July 2, Kyunghyang Shinmun, a pro-government Korean newspaper, reported that Kim Jae-jung, Lee's brother-in-law currently owns properties in 47 different regions nationwide, and raised suspicions of real estate speculation. The article stated that beginning with 1,657,334 square-meters of forest land in North Chungcheong Province in 1982, Kim bought properties covering 2.24 million square-meters in 47 different regions between 1981 and 1991. Responding to the report, Lee's camp said, "Kim's real estate transactions have no direct relation to Lee." Meanwhile, Kim sued for libel the newspaper that ran the article and asked for KW 1.5 billion (USD 1.6 million) in reparation, saying that the article was a malicious defamation.

¶9. (U) On July 3, Hankyoreh, a liberal Korean newspaper, reported that Lee, while mayor of Seoul, lifted restrictions on building heights in Seocho-dong, Seocho-gu, where he owned a building. The newspaper also claimed that Lee and his relatives' properties were in Eunpyeong-gu, which was designated by the then-mayor himself as the 'New Town' for development, and raised suspicions on the designation process. Refuting the claims, Park Hyeong-jun, a spokesman for Lee's camp, said "removal of the height restriction was already demanded by the Board of Audit and Inspection and the Ombudsman of Korea (before Lee took action)." He added that the real estate Lee owned in Eunpyeong-gu was only 142 square-meters, which he sold before the designation.

¶10. (U) On July 5, Hankyoreh again accused Lee and his relatives of profiting from real estate dealings inappropriately. According to the paper, his brother and brother-in-law, Kim Jae-jung, allegedly bought a land parcel in Dogok-dong totaling approximately 1,313 square-meters when Lee was CEO of Hyundai Engineering and Construction. They then sold it, together with some other land sites, to POSCO Engineering and Construction in 1995 and profited KW 26.3 billion (USD 28.6 million). In addition to this report, Seo Cheong-won, an advisor to Park Geun-hye, alleged that Lee, Lee's brother and brother-in-law owned a 6,555 square-meter site in Dogok-dong. Seo argued that "Lee met with the POSCO president three times between 1993 and 1994 and is known to have asked him to buy the site, saying that it is his." Lee's camp countered the argument, saying that the sale of the site was legitimate and that the issue was verified as compliant with all regulations during the 2002 Seoul mayoral elections, which Lee subsequently won.

¶11. (U) On July 6, Seoul Prosecutors' Office announced that they would investigate the libel and counter-libel suits between Lee's camp and Park Geun-hye's camp, stemming from the alleged illegal real estate dealings. It would not only subpoena Kim Jae-jung, Lee's brother-in-law, but also look into Lee's alleged illegal property deals. While Lee's camp strongly resisted, the Park camp welcomed the move. Concerned whether this will lead to a replay of the 2002 election, where the many suspicions and prolonged investigation proved detrimental to the party, GNP officials urged both camps to retract their charges.

ANOTHER FIGHT EXPECTED

¶12. (U) Although Lee has kept his lead in polls, Lee and Park are expected to fight over rules on public polls which would make up 20 percent of the GNP primary in August. At the first meeting of the GNP Public Poll Expert Committee on June 29, the representatives from the two camps butted heads over how to word the question that would assess the candidates' popularity. Lee's camp argued that the question should measure the respondents' "preference" by asking them "whom they prefer as the GNP presidential candidate." Park's camp maintained that the question should measure their "support" by asking them "whom they would vote for on the day of election." Pundits on public polling say that respondents "prefer" a candidate even if they don't fully support him; but answering the "support" question requires them to be more

committed to the candidate. Lee's supporters are considered to be less committed to Lee, compared to Park's supporters. Thus, he prefers the "preference" questions while Park prefers the "support" question.

COMMENT

¶13. (SBU) Scrutiny on Lee and mudslinging between the two GNP frontrunners will peak as the GNP Verification Hearing comes around on July 19. It is an open secret that the ruling camp considers Park Geun-hye to be an easier candidate to beat in December than Lee Myung-bak. Thus facing incessant attacks on two fronts, Lee has taken a severe beating, resulting in an enormous slide in his poll numbers. If Lee cannot turn this around, all bets are off on what appeared to be a shoo-in candidacy only a month ago.
VERSHBOW